GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5569
ANSWERED ON:07.04.2017
Priority Sector Lending
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Will the Minister of FINANCE be pleased to state:

(a) the details of interest rate on loan disbursed to weaker sections of the society by Public and Private Sector Banks under the Priority Sector Lending (PSL) during the last three years and the current year;

(b) whether the Government proposes further reduce the bank interest rate on loan or provide interest free loan to weaker sections under PSL and if so, the details thereof; and

(c) the steps taken by the Government for restructuring PSL to ensure easy access to bank loans?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE)

(a)to (c):The Priority Sector Guidelines do not prescribe any preferential rates of interest for lending. Interest rates have been deregulated by Reserve Bank of India (RBI).

Interest rates charged on agricultural loans (including loans to small and marginal farmers) are governed by RBI Master Direction dated March 3, 2016. In terms of these directions banks cannot charge interest rate below their base rate with effect from July 01, 2010. All rupee loans sanctioned w.e.f. April 1, 2016 are required to be priced with reference to the Marginal Cost of Funds based Lending Rate. However, there are certain exempted categories of loans including those where subvention is provided by GOI.

With a view to ensure availability of short term agriculture credit at a reasonable cost, the Government provides interest subvention to make short-term crop loans uptoRs. 3 lakhs available to farmers at the interest rate of 7% per annum and in case of prompt repayment, the same gets reduced to 4%. Further, under the DRI Scheme, bank provide finance uptoRs 15000/- at a concessional rate of interest of 4% per annum to the weaker section of the community for engaging in productive and gainful activities.

The benefit of interest subvention has been made available to small and marginal farmers having Kisan Credit Card for a further period of up to six months (post- harvest) on the same rate as available to crop loan against negotiable warehouse receipts.

To ensure adequate allocation of credit to emerging priority sectors, an Internal Working Group (IWG) was set up in July 2014 to revisit the existing priority sector lending guidelines. The recommendations of the IWG were examined in the light of the comments / suggestions received from Government of India, banks, and other stakeholders and revised guidelines were issued vide FIDD Circular dated April 23, 2015.
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